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SUBJECT: BELGIUM TO CANCEL NEARLY USD 400 MILLION IN DRC
DEBT

REF: KINSHASA 1608

1. (U) The Government of Belgium (GOB) announced October 17 that upon the GDRC's achievement of the Highly Indebted Poor Countries (HIPC) completion point, it will cancel all remaining sovereign DRC debt. (Note: As noted in reftel, completion point will be no earlier than the fourth quarter of 2007 (reftel). End note.) The amount remaining due at the completion point will be about USD 300 million, although the GOB's cost to annul this debt will be only about four percent of its book value.

2. (U) The DRC's debt to Belgium consisted initially of a total of USD 1 billion in loans, accrued through 1997, both during the pre-1960 colonial era and the Mobutu-era. The GOB reduced this amount to USD 300 million during a debt restructuring process in 2002-2003. The DRC's total estimated external sovereign debt is around USD 9-10 billion.

3. (U) Prior to achievement of the HIPC completion point, the GOB will cancel an additional USD 94 million in loans made to the GDRC in 1997 and before, pursuant to a June 2006 agreement between the two countries' Central Banks. EconCouns told EconOffs that the GOB basically wrote-off this amount years ago as bad debt and that the cancellation now is essentially an administrative act from the GOB's perspective.
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